NEWELL RUBBERMAID INC
Form 10-K
March 02, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO

SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED	COMMISSION FILE NUMBER
DECEMBER 31, 2008	1-9608

NEWELL RUBBERMAID INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (State or other jurisdiction of incorporation or organization)	36-3514169 (I.R.S. Employer Identification No.)
Three Glenlake Parkway Atlanta, Georgia (Address of principal executive offices)	30328 (Zip Code)

Registrant s telephone number, including area code: (770) 418-7000

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	**NAME OF EACH EXCHANGE ON WHICH REGISTERED**
Common Stock, $1 par value per share	New York Stock Exchange
	Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer þ	Accelerated Filer ¨
Non-Accelerated Filer ¨	Smaller Reporting Company ¨
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

There were 277.2 million shares of the Registrant s Common Stock outstanding (net of treasury shares) as of January 31, 2009. The aggregate market value of the shares of Common Stock (based upon the closing price on the New York Stock Exchange on June 30, 2008) beneficially owned by non-affiliates of the Registrant was approximately $4.64 billion. For purposes of the foregoing calculation only, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and officers of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Definitive Proxy Statement for its Annual Meeting of Stockholders to be held May 5, 2009.

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PART I

ITEM 1. BUSINESS

Newell Rubbermaid or the Company refers to Newell Rubbermaid Inc. alone or with its wholly owned subsidiaries, as the context requires. When this report uses the words we or our, it refers to the Company and its subsidiaries unless the context otherwise requires.

WEBSITE ACCESS TO SECURITIES AND EXCHANGE COMMISSION REPORTS

The Company s Internet website can be found at *www.newellrubbermaid.com*. The Company makes available free of charge on or through its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as practicable after the Company files them with, or furnishes them to, the Securities and Exchange Commission.

GENERAL

Newell Rubbermaid is a global marketer of consumer and commercial products that touch the lives of people where they work, live and play. The Company s strong portfolio of brands includes Sharpie®, Paper Mate®, Dymo®, Expo®, Waterman®, Parker®, Rolodex®, Irwin®, Lenox®, BernzOmatic®, Rubbermaid®, TC®, Levolor®, Graco®, Aprica®, Calphalon® and Goody®. The Company s multi-product offering consists of well known name-brand consumer and commercial products in four business segments: Cleaning, Organization & Décor; Office Products; Tools & Hardware; and Home & Family.

Newell Rubbermaid s vision is to become a global company of Brands That Matter™ and great people, known for best-in-class results. The Company is committed to building consumer-meaningful brands through understanding the needs of consumers and using those insights to create innovative, highly differentiated product solutions that offer performance and value. At the same time, the Company strives to achieve best cost in its operations and leverage the benefits of being one company, including shared expertise, operating efficiencies and the fostering of a culture that produces best-in-class results.

To support its multi-year transformation into a best-in-class global consumer branding and marketing organization, Newell Rubbermaid has adopted a strategy designed to deliver long-term sales and profit growth and enhance shareholder value. The key tenets of the Company s strategy include optimizing the business portfolio, building consumer-meaningful brands across the globe, and achieving best cost and efficiency in its operations.

Refer to the forward-looking statements section of Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the Company s forward-looking statements included in this report.

STRATEGIC INITIATIVES

Optimize the Portfolio

The Company continues to optimize its portfolio by reducing its exposure to non-strategic businesses and product lines and by acquiring businesses that facilitate geographic and category expansion, thus enhancing the growth opportunities and profitability of the overall portfolio. The Company seeks to build a portfolio of businesses that satisfy several key strategic criteria, including consumer-meaningful brands, product categories that respond to innovation and product differentiation, strong margin and growth potential, global categories, favorable customer and channel dynamics, valued intellectual property and synergies with the Company s core categories and competencies.

Using the above criteria, the Company routinely reviews its businesses and product offerings to assess their strategic fit. From 2005 to 2007, the Company divested or exited certain non-strategic and commodity-like businesses and product lines. In July 2008, the Company announced that it expects to divest, downsize or exit selected low margin, largely resin-intensive and commoditized product categories which generate approximately $500 million in annual sales. The Company expects this recent portfolio rationalization will improve gross margins and increase diluted earnings per share.

The Company will continue to evaluate strategic acquisitions that can accelerate the migration of its portfolio to faster growing, higher margin businesses with greater presence in international markets. This strategy includes both small bolt-on acquisitions and larger

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transactions. In April 2008, the Company closed on two significant acquisitions, Aprica Childcare Institute Aprica Kassai, Inc. (Aprica) and Technical Concepts Holdings, LLC (Technical Concepts), which expand its product categories and geographic footprint as well as provide the Company the opportunity to leverage its innovation and branding capabilities. Aprica is a Japanese manufacturer and marketer of premium strollers, car seats and other related juvenile products. This acquisition gives the Company s Baby & Parenting Essentials business the opportunity to broaden its presence worldwide, including expanding the scope of Aprica s sales outside of Asia. The Aprica acquisition also provides the critical mass needed for increased shared resources in Japan, enabling the acceleration of investment in the Asia-Pacific region by other business units. Technical Concepts is a global provider of innovative touch-free and automated restroom hygiene systems. The Technical Concepts acquisition gives the Company s Rubbermaid Commercial Products business an entry into the away-from-home washroom market. This acquisition fits the Company s strategy of leveraging existing sales and marketing capabilities across near-neighbor product categories where performance matters and customers will pay a premium for innovation. In addition, with approximately 40% of its sales outside of the U.S., Technical Concepts significantly increases the global footprint of the Rubbermaid Commercial Products business. As a result of these two acquisitions, in combination with the sales growth in its existing international businesses, Newell Rubbermaid generated approximately 31% of total sales in 2008 from markets outside of the U.S., as compared to 28% and 26% in 2007 and 2006, respectively.

Build Consumer-Meaningful Brands

The Company is committed to building consumer-meaningful brands by embracing a consumer-driven innovation process, developing best-in-class marketing and branding capabilities across the organization, and investing in strategic brand building activities. As part of the consumer-driven innovation process, the Company invests in research and development to better understand its target consumers and their needs. The consumer insights gained from this investment are used to develop focused brand strategies and to create products that deliver meaningful solutions. In 2008, this focus on consumer-driven innovation resulted in the launch and support of several notable new product lines, including:

- The Graco® Sweetpeace™ Newborn Soothing Center™ product reinvents the baby swing market by offering patent-pending motions to mimic the movements parents use to soothe infants along with other advanced features developed as a result of comprehensive research with consumers and pediatric professionals.

- Rubbermaid® Produce Saver™, Premier™ and Easy Find Lids™ food storage containers offer special features that help keep fruits and vegetables fresh longer, allow for easier organization and storage, and provide stain and odor resistance.

- Calphalon introduced Premium Heating Electric Appliances, which leverages and expands the well-known Calphalon® brand into a natural near-neighbor category.

- The Sharpie® Pen delivers the writing experience of a Sharpie® Ultrafine point marker, but with an ink formulated not to bleed through paper, making the Sharpie® Pen a best in class everyday writing instrument.

- The Graco® Nautilus™ 3-in-1 car seat converts from a five-point safety harness for babies to a high back seat belt option for toddlers and then to a backless booster seat, providing comfortable, custom protection for children up to 100 pounds.

By embracing the consumer-driven innovation process, the Company will continue to introduce innovative new products that meet consumers needs, strengthen its brands and drive sustainable growth.

The Company continues to employ resources to create best-in-class branding and marketing capabilities across the Company. As part of the Company s Marketing Build and Transform initiative, it has created a detailed blueprint and roadmap for achieving brand building excellence over time. Each business unit is tasked with evaluating its brands against best-in-class metrics, using a common framework and methodology, and developing a comprehensive plan to achieve the targeted goals. To further support this initiative, the Company has added to its management ranks executive talent from some of the world s leading consumer products companies and developed and launched a comprehensive series of Marketing Excellence training programs. These courses, which cover both basic and advanced curriculums, are designed to expand and develop consumer marketing capabilities and further enhance consumer understanding.

The Company is committed to investing in strategic brand building activities such as research and development, marketing, and advertising and promotion to enhance consumer-driven innovation, create a more effective marketing organization and increase consumer awareness and demand for its products.

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Achieve Best Cost and Efficiency

The Company s objective is to achieve best cost in operations and leverage its scale to accelerate adoption of best-in-class practices and reduce costs in non-market facing activities. Achieving best cost across the organization will enable the Company to improve its competitive position, generate funds for increased investment in strategic brand building initiatives, and preserve cash and liquidity in the midst of volatile commodity markets and the current global economic slowdown. Through the Project Acceleration restructuring program and other initiatives, the Company has reduced the number of manufacturing facilities, increased the use of strategic sourcing partners, and improved capacity utilization rates to deliver productivity savings. In order to achieve logistical excellence and optimize its geographic footprint, the Company continues to evaluate its supply chain to identify opportunities to realize efficiencies in purchasing, distribution and transportation. For example, in 2009 the Company plans to consolidate four smaller warehouses into a new, multi-branded Southeastern U.S. distribution center. To date, the Company has recognized approximately $125.0 million of cumulative annualized savings from Project Acceleration, and expects total savings of $175.0 million to $200.0 million once the program is fully implemented in 2010. Project Acceleration is expected to result in cumulative restructuring costs of $475.0 million to $500.0 million over the life of the initiative.

The Company is also optimizing its organizational structure, reducing structural selling, general and administrative (SG&A) expenses and managing its working capital to improve efficiency and preserve its cash and liquidity position. In 2007, the Company began realigning its businesses under a Global Business Unit (GBU) structure. This realignment positions the business units to leverage research and development, branding, marketing and innovation on a global basis. The Company continues to work to aggressively reduce non-strategic SG&A expenditures throughout the organization to protect margins and to enable continuing investments in brand building activities. In addition, the Company continues to focus on reducing inventories and managing working capital more effectively in order to maximize cash and liquidity.

The Company strives to leverage the common business activities and best practices of its business units, and to build one common culture of shared values with a focus on collaboration and teamwork. Through this initiative, the Company strives to benefit from the cost reductions achieved through horizontal integration and economies of scale. For example, the Company has established regional shared services centers to leverage non-market facing functional capabilities such as Human Resources, Information Technology, Customer Service, Supply Chain Management and Finance. To further enhance productivity, the Company has begun migrating multiple legacy systems and users to a common SAP global information platform in a phased, multi-year rollout. SAP will enable the Company to integrate and manage its worldwide business and reporting processes more efficiently. To date, the North American operations of its Home & Family and Office Products segments have successfully gone live with their SAP implementation efforts. Lastly, the Company is focused on building a common culture centered on consumer-focused brand building, collaboration, diversity and people development, and best-in-class results. To support these efforts, the Company is co-locating several business units and corporate functions into one global headquarters building and has consolidated several offices in Paris and Hong Kong for the European and Asia-Pacific regional headquarters, respectively. These consolidations will improve efficiency, enable greater sharing of best practices, and make it easier to leverage talent across the organization.

BUSINESS SEGMENTS

The Company s business segments for 2008 were as follows:

Segment	Description of Products
Cleaning, Organization & Décor	Cleaning and refuse, indoor/outdoor organization, food storage, and home storage products; material handling solutions; drapery hardware and window treatments; restroom hygiene systems
Office Products	Writing instruments, including markers, highlighters, pens, pencils, and fine writing instruments; office technology solutions such as label makers and printers, card-scanning solutions, and on-line postage; and art and office organization products
Tools & Hardware	Hand tools, power tool accessories, industrial bandsaw blades, propane torches, manual paint applicators and cabinet and window hardware
Home & Family	Infant and juvenile products such as car seats, strollers, highchairs, and playards; gourmet cookware, bakeware and cutlery; and hair care accessories

In the first quarter of 2009, the business units within the Cleaning, Organization & Décor segment were reorganized in the Tools & Hardware and Home & Family segments. The Rubbermaid Commercial Products business unit was transferred to the newly named Tools, Hardware & Commercial Products segment, and the Rubbermaid Food & Home Products and Décor business units were transferred to the Home & Family segment. The reorganization allows the Company to realize structural SG&A efficiencies.

CLEANING, ORGANIZATION & DÉCOR

The Company s Cleaning, Organization & Décor segment comprises the following business units: Rubbermaid Food & Home Products, Rubbermaid Commercial Products and Décor. These businesses design, manufacture or source, package and distribute semi-durable products primarily for use in the home and commercial settings.

Food & Home Products and Commercial Products primarily sell their products under the trademarks Rubbermaid®, Brute®, Roughneck®, TakeAlongs® and TC®. Décor sells its products primarily under the trademarks Levolor® and Kirsch®.

Food & Home Products markets its products directly and through distributors to mass merchants, home centers, warehouse clubs, grocery/drug stores and hardware distributors. Commercial Products markets its products directly and through distributors to commercial channels and home centers. Décor markets its products directly and through distributors to mass merchants, home centers, department/specialty stores, hardware distributors, industrial/construction outlets, custom shops, select contract customers and other professional customers.

OFFICE PRODUCTS

The Company s Office Products segment comprises the following business units: Markers, Highlighters, & Art; Everyday Writing; Technology; and Fine Writing & Luxury Accessories. These businesses primarily design, manufacture or source, package and distribute writing instruments and office solutions, primarily for use in the business and home.

Markers, Highlighters & Art products include permanent/waterbase markers, dry erase markers, highlighters, and art supplies and are primarily sold under the trademarks Sharpie®, Expo®, Sharpie® Accent®, Vis-à-Vis®, Eberhard Faber®, Berol® and Prismacolor®. Everyday Writing products include ballpoint pens and inks, roller ball pens, mechanical pencils and correction fluids and are primarily sold under the trademarks Paper Mate®, Uni-Ball® (used under exclusive license from Mitsubishi Pencil Co. Ltd. and its subsidiaries in North America), Sharpie®, Eberhard Faber®, Berol®, Reynolds®, and Liquid Paper®. Technology products include on-demand labeling products, on-line postage, card scanning solutions and interactive teaching solutions, and are primarily sold under the trademarks Dymo®, Endicia™, CardScan®, and Mimio®. Fine Writing & Luxury Accessories products include fine writing instruments and luxury accessories and are primarily sold under the trademarks Parker®, Waterman® and rotring®.

Office Products markets its products directly and through distributors to mass merchants, warehouse clubs, grocery/drug stores, office superstores, office supply stores, contract stationers, hardware distributors and other retailers.

TOOLS & HARDWARE

The Company s Tools & Hardware segment comprises the following business units: Industrial Products & Services, Construction Tools & Accessories and Hardware. The business units within the Tools & Hardware segment design, manufacture or source, package and distribute hand tools and power tool accessories, industrial bandsaw blades, propane torches, soldering tools and accessories, manual paint applicator products, cabinet hardware and window and door hardware.

Industrial Products & Services products include cutting and drilling accessories and industrial bandsaw blades as well as soldering tools and accessories primarily sold under the Lenox® trademark. Construction Tools & Accessories products include hand tools and power tool accessories primarily sold under the trademarks Irwin®, Vise-Grip®, Marathon®, Quick-Grip®, Unibit® and Strait-Line®. Hardware products include paint applicator products, propane torches and cabinet, window and door hardware primarily sold under the trademarks Shur-Line®, BernzOmatic®, Amerock® and Bulldog®.

Tools & Hardware markets its products directly and through distributors to mass merchants, home centers, department/specialty stores, hardware distributors, industrial/construction outlets, custom shops, select contract customers and other professional customers.

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HOME & FAMILY

The Company s Home & Family segment comprises the following business units: Baby & Parenting Essentials, Culinary Lifestyle and Beauty & Style. Baby & Parenting Essentials designs, manufactures or sources, packages and distributes infant and juvenile products such as swings, high chairs, car seats, strollers and playards. Culinary Lifestyle primarily designs, manufactures or sources, packages and distributes aluminum and stainless steel cookware, bakeware, cutlery and kitchen gadgets and utensils. Beauty & Style designs, sources, packages and distributes hair care accessories and grooming products.

Baby & Parenting Essentials primarily sells its products under the trademarks Graco®, Teutonia® and Aprica®. Culinary Lifestyle primarily sells its products under the trademarks Calphalon®, Kitchen Essentials®, Cooking with Calphalon™, Calphalon®One™ and Katana™. Beauty & Style markets its products primarily under the trademarks Goody®, Ace®, and Solano®.

Baby & Parenting Essentials and Beauty & Style market their products directly and through distributors to mass merchants and specialty and grocery/drug stores. Culinary Lifestyle markets and sells its products directly to department and specialty stores and through its branded retail outlets.

NET SALES BY BUSINESS SEGMENT

The following table sets forth the amounts and percentages of the Company s net sales for the years ended December 31, 2008, 2007 and 2006 *(in millions, except percentages)* (including sales of acquired businesses from the time of acquisition and excluding sales of businesses that have been divested), for the Company s four business segments.

	2008	% of Total	2007	% of Total	2006	% of Total
Cleaning, Organization & Décor	$ 2,147.3	33.2%	$ 2,096.4	32.7%	$ 1,995.7	32.2%
Office Products	2,005.8	31.0	2,042.3	31.9	2,031.6	32.8
Tools & Hardware	1,200.3	18.6	1,288.7	20.1	1,262.2	20.3
Home & Family	1,117.2	17.2	979.9	15.3	911.5	14.7
Total Company	$ 6,470.6	100.0%	$ 6,407.3	100.0%	$ 6,201.0	100.0%

Sales to Wal-Mart Stores, Inc. and subsidiaries, which includes Sam s Club, amounted to approximately 13% of consolidated net sales for each of the years ended December 31, 2008 and 2007, and 12% of consolidated net sales for the year ended December 31, 2006, substantially across all segments. Sales to no other customer exceeded 10% of consolidated net sales. For more detailed segment information, including operating income and identifiable assets by segment, refer to Footnote 18 of the Notes to Consolidated Financial Statements.

OTHER INFORMATION

Multi-Product Offering

The Company s broad product coverage in multiple categories permits it to more effectively meet the needs of its customers. With families of leading brand names and profitable and innovative new products, the Company can also assist volume purchasers sell a more profitable product mix. As a potential single source for an entire product line, the Company can use program merchandising to improve product presentation, optimize display space for both sales and income and encourage impulse buying by retail consumers.

Customer Marketing and Service

The Company strives to develop long-term, mutually beneficial partnerships with its customers and become their supplier and brand of choice. To achieve this goal, the Company has a value-added marketing program that offers a family of leading brand name consumer products, tailored sales programs, innovative merchandising support, in-store services and responsive top management.

The Company strives to enhance its relationships with customers through exceptional customer service. The Company s ability to provide superior customer service is a result of its information technology and marketing and merchandising programs that are designed to enhance the sales and profitability of its customers and provide consistent on-time delivery of its products.

A critical element of the Company s customer service is consistent on-time delivery of products to its customers. Retailers are pursuing a number of strategies to deliver the highest-quality, best-cost products to their customers. Retailers frequently purchase on a

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just-in-time basis in order to reduce inventory carrying costs and increase returns on investment. As retailers shorten their lead times for orders, manufacturers need to more closely anticipate consumer-buying patterns. The Company supports its retail customers just-in-time inventory strategies through more responsive sourcing, manufacturing and distribution capabilities and electronic communications.

Foreign Operations

Information regarding the Company s 2008, 2007 and 2006 foreign operations and financial information by geographic area is included in Footnote 18 of the Notes to Consolidated Financial Statements and is incorporated by reference herein. Information regarding risks relating to the Company s foreign operations is set forth in Part I, Item 1A of this report and is incorporated by reference herein.

Raw Materials and Sourced Finished Goods

The Company has multiple foreign and domestic sources of supply for substantially all of its material requirements. The raw materials and various purchased components required for its products have generally been available in sufficient quantities. The Company s product offerings require the purchase of resin, glass, corrugate and metals, including steel, stainless steel, zinc, aluminum and gold. Over the long-term, the Company has experienced inflation in raw material prices and expects such inflation pressures to continue in 2009. The Company continues to attempt to reduce the volume of its resin purchases through product line rationalizations and strategic divestitures.

The Company is also placing increasing reliance on third party manufacturers as a source for finished goods. In a limited number of cases, such manufacturers supply substantially all of the finished goods for a product line. In particular, the Home & Family segment s Baby & Parenting Essentials business unit relies on a third party manufacturer for a significant portion of certain of its products.

See Management s Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

Backlog

The dollar value of unshipped factory orders is not material.

Seasonal Variations

The Company s sales and operating income in the first quarter are generally lower than any other quarter during the year, driven principally by reduced demand and volume for the products in the Company s Office Products and Cleaning, Organization & Décor segments in the quarter.

Patents and Trademarks

The Company has many patents, trademarks, brand names and trade names that are, in the aggregate, important to its business. The Company s most significant registered trademarks are Sharpie®, Paper Mate®, Dymo®, Irwin®, Lenox®, Rubbermaid®, TC®, Levolor Aprica® and Calphalon®.

Customers / Competition

The Company s principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs and office superstores, and commercial distributors. The rapid growth of these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to a significant consolidation of the consumer products retail industry and the formation of dominant multi-category retailers that have strong negotiating power with suppliers. This environment limits the Company s ability to recover cost increases through selling prices.

Current trends among retailers include fostering high levels of competition among suppliers, demanding innovative new products and requiring suppliers to maintain or reduce product prices and deliver products with shorter lead times. Other trends, in the absence of a strong new product development effort or strong end-user brands, are for the retailer to import generic products directly from foreign sources and to source and sell products, under their own private label brands, that compete with products of the Company. The combination of these market influences has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in pricing pressures and the need for strong end-user brands, the ongoing introduction of innovative new products and continuing improvements in category management and customer service. The Company competes with numerous manufacturers and distributors of consumer products, many of which are large and well established.

The Company s principal methods of meeting its competitive challenges are creating and maintaining consumer-meaningful brands and differentiated products, delivering superior customer service (including innovative good-better-best marketing and merchandising programs), consistent on-time delivery, outsourcing certain production to low cost suppliers and lower cost countries where appropriate, and experienced management.

The Company has also positioned itself to respond to the competitive challenges in the retail environment by developing strong relationships with large, high-volume purchasers. The Company markets its strong multi-product offering through virtually every category of high-volume retailer, including discount, drug, grocery and variety chains; warehouse clubs; department, hardware and specialty stores; home centers; office superstores; and contract stationers. The Company s largest customer, Wal-Mart (which includes Sam s Club), accounted for approximately 13% of net sales in 2008, across substantially all business units. The Company s top ten customers in 2008 included (*in alphabetical order*): Bed Bath & Beyond, Lowe s, Office Depot, OfficeMax, Staples, Target, The Home Depot, Toys R Us, W. W. Grainger and Wal-Mart.

Environmental Matters

Information regarding the Company s environmental matters is included in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of this report and in Footnote 19 of the Notes to Consolidated Financial Statements and is incorporated by reference herein.

Research and Development

Information regarding the Company s research and development costs for each of the past three years is included in Footnote 1 of the Notes to Consolidated Financial Statements and is incorporated by reference herein.

Employees

As of December 31, 2008, the Company had approximately 20,400 employees worldwide, of whom approximately 3,300 are covered by collective bargaining agreements or are located in countries which have collective arrangements decreed by statute.

ITEM 1A. RISK FACTORS

The factors that are discussed below, as well as the matters that are generally set forth in this report on Form 10-K and the documents incorporated by reference herein, could materially and adversely affect the Company s business, results of operations and financial condition.

The Company is subject to risks related to its dependence on the strength of retail economies in various parts of the world.

The Company s business depends on the strength of the retail economies in various parts of the world, primarily in North America, and to a lesser extent Europe, Central and South America and Asia. These retail economies are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions. With the recent and significant deterioration of economic conditions in the U.S. and elsewhere, there has been considerable pressure on consumer demand, and the resulting impact on consumer spending has had and may continue to have a material adverse effect on the demand for the Company s products as well as its financial condition and results of operations. Consumer demand and the condition of the retail industry may also be impacted by other external factors such as war, terrorism, geopolitical uncertainties, public health issues, natural disasters and other business interruptions. The impact of these external factors is difficult to predict, and one or more of the factors could adversely impact the Company s business. Moreover, in recent years, the retail industry in the U.S. and, increasingly, elsewhere has been characterized by intense competition among retailers. Because such competition, particularly in weak retail economies, can cause retailers to struggle or fail, the Company must continuously monitor, and adapt to changes in, the profitability, creditworthiness and pricing policies of its customers. A failure by one of the Company s large retail customers would adversely impact the Company s sales and operating cash flows.

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If the Company is unable to access the capital markets to refinance its maturing short-term debt, its borrowing costs could increase significantly.

As of December 31, 2008, the Company had $761.0 million of short-term debt that it will be required to refinance or repay within the next twelve months. The Company plans to address these obligations through the capital markets or other arrangements. However, access to the capital markets cannot be assured, particularly given the recent turmoil and uncertainty in the global credit markets, and although the Company believes that alternative arrangements will be available to refinance these obligations, such arrangements could result in a significant increase in the Company s borrowing costs.

A further reduction in the Company s credit ratings could materially and adversely affect its business, financial condition and results of operations.

The Company s current senior debt credit ratings from Moody s Investors Service, Standard & Poor s and Fitch Ratings are Baa3, BBB- and BBB, respectively. Its current short-term debt credit ratings from Moody s Investors Service, Standard & Poor s and Fitch Ratings are P-3, A-3 and F-2, respectively. In July 2008, both Moody s and Standard & Poor s changed their outlook on their ratings from Stable to Negative and Fitch revised its outlook from Positive to Stable. In February 2009, Moody s and Standard & Poor s lowered their credit ratings on the Company s senior debt from Baa2 to Baa3 and from BBB+ to BBB-, respectively, and their short-term debt credit ratings from P-2 to P-3 and from A-2 to A-3, respectively. Both Moody s and Standard & Poor s reaffirmed their Negative outlook. The Company cannot be sure that any of its current ratings will remain in effect for any given period of time or that a rating will not be lowered by a rating agency if, in its judgment, circumstances in the future so warrant. Any further downgrade by Moody s or Standard & Poor s, which would reduce the Company s senior debt below investment grade, would likely increase the Company s borrowing costs, which would adversely affect the Company s financial results. The Company would likely be required to pay a higher interest rate in future financings, and its potential pool of investors and funding sources could decrease. If the Company s short-term ratings were to be lowered, it would further limit, or eliminate entirely, the Company s access to the commercial paper market. The ratings from credit agencies are not recommendations to buy, sell or hold the Company s securities, and each rating should be evaluated independently of any other rating.

The Company is subject to intense competition in a marketplace dominated by large retailers.

The Company competes with numerous other manufacturers and distributors of consumer and commercial products, many of which are large and well established. The Company s principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs and office superstores, and commercial distributors. The rapid growth of these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to the formation of dominant multi-category retailers that have strong negotiating power with suppliers. Current trends among retailers include fostering high levels of competition among suppliers, demanding innovative new products and requiring suppliers to maintain or reduce product prices and delivering products with shorter lead times. Other trends are for retailers to import products directly from foreign sources and to source and sell products, under their own private label brands, that compete with the Company s products.

The combination of these market influences has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in downward pricing pressures and the need for big, consumer-meaningful brands, the ongoing introduction and commercialization of innovative new products, continuing improvements in customer service, and the maintenance of strong relationships with large, high-volume purchasers. The Company also faces the risk of changes in the strategy or structure of its major retailer customers, such as overall store and inventory reductions and retailer consolidation. However, the intense competition in the retail sector combined with the overall economic environment may result in a number of retailers experiencing financial difficulty or failing in the future. As a result of these factors, the Company may experience a loss of sales, reduced profitability and a limited ability to recover cost increases through price increases.

The Company s inability to commercialize a continuing stream of new products that create consumer demand may adversely impact its ability to compete in the marketplace.

The Company s long-term success in the competitive retail environment depends on its ability to develop and commercialize a continuing stream of innovative new products that create consumer demand. The Company also faces the risk that its competitors will introduce innovative new products that compete with the Company s products. The Company s strategy includes increased investment in new product development and increased focus on innovation. There are, nevertheless, numerous uncertainties inherent in successfully developing and commercializing innovative new products on a continuing basis, and new product launches may not deliver expected growth in sales or operating income.

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If the Company does not continue to develop and maintain consumer-meaningful brands, its operating results may suffer.

The Company s ability to compete successfully also depends increasingly on its ability to develop and maintain consumer-meaningful brands so that the Company s retailer customers will need the Company s products to meet consumer demand. Consumer-meaningful brands allow the Company to realize economies of scale in its operations. The development and maintenance of such brands requires significant investment in brand building and marketing initiatives. While the Company plans to increase its expenditures for advertising and other brand building and marketing initiatives, the increased investment may not deliver the anticipated results.

The Company faces challenges and uncertainties as it transforms into a company that grows through consumer-meaningful brands and new product innovation.

The Company is undergoing a transformation from a portfolio-holding company that grew through acquisitions to a focused group of leadership platforms that generate internal growth driven by consumer-meaningful brands and new product innovation. Such a transformation requires significant investment in brand-building, marketing and product development. It also requires the development of the right methods for understanding how consumers interact with the Company s brands and categories and measuring the effectiveness of advertising and promotion spending. Although the process is well underway, significant challenges and uncertainties remain.

Price increases in raw materials and sourced products could harm the Company s financial results.

The Company purchases raw materials, including resin, glass, corrugate, steel, gold, zinc, brass and aluminum, which are subject to price volatility and inflationary pressures. The Company attempts to reduce its exposure to increases in those costs through a variety of programs, including periodic purchases, future delivery purchases, long-term contracts and sales price adjustments. Where practical, the Company uses derivatives as part of its risk management process. Also, as part of its strategy to achieve best total cost, the Company increasingly relies on third party manufacturers as a source for its products. These manufacturers are also subject to price volatility and inflationary pressures, which may, in turn, result in an increase in the amount the Company pays for sourced products. Raw material and sourced product price increases may more than offset the Company s productivity gains and could materially impact the Company s financial results.

The Company s plans to improve productivity and streamline operations may not be successful, which would adversely affect its ability to compete.

The Company s success depends on its ability to continuously improve its manufacturing efficiencies, reduce supply chain costs and streamline non-strategic selling, general and administrative expenses in order to produce products at a best-cost position and allow the Company to invest in innovation and brand building. Project Acceleration includes the anticipated closures of certain manufacturing and distribution facilities. In addition, the Company continuously explores ways to best leverage its functional capabilities such as Human Resources, Information Technology, Customer Service, Supply Chain Management and Finance in order to improve efficiency and reduce costs. The Company runs the risk that Project Acceleration and other corporate initiatives aimed at streamlining operations and processes, cost reduction, and improving overall financial results may not be completed substantially as planned, may be more costly to implement than expected, or may not have the positive effects anticipated. It is also possible that other major productivity and streamlining programs may be required after such projects are completed. In addition, disruptions in the Company s ability to supply products on a timely basis, which may be incidental to any problems in the execution of Project Acceleration, could adversely affect the Company s future results.

The Company s inability to make strategic acquisitions and to integrate its acquired businesses could adversely impact the Company s future growth.

Although the Company has in recent years increasingly emphasized internal growth rather than growth by acquisition, the Company s ability to continue to make strategic acquisitions and to integrate the acquired businesses successfully, including obtaining anticipated cost savings and operating income improvements within a reasonable period of time, remain important factors in the Company s future growth. Furthermore, the Company s ability to finance major acquisitions may be adversely affected by the recent turmoil and uncertainty in global credit markets. In addition, significant additional borrowings would increase the Company s borrowing costs and could adversely affect its credit rating and could constrain the Company s future access to capital.

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Circumstances associated with the Company s potential divestitures and product line rationalizations could adversely affect the Company s results of operations and financial condition.

The Company continues to evaluate the performance and strategic fit of its businesses and products and may decide to sell or discontinue a business or product line based on such an evaluation. A decision to divest or discontinue a business or product line may result in asset impairments, including those related to goodwill and other intangible assets, and losses upon disposition, both of which could have an adverse effect on the Company s results of operations and financial condition. In addition, the Company may encounter difficulty in finding buyers (or prospective buyers may have difficulty obtaining financing) or executing alternative exit strategies at acceptable prices and terms and in a timely manner. Divestitures and business discontinuations could involve additional risks, including the following:

difficulties in the separation of operations, services, products and personnel;

the diversion of management s attention from other business concerns;

the assumption of certain current or future liabilities in order to induce a buyer to complete a divestiture;

the disruption of the Company s business;

and the potential loss of key employees.

The Company may not be successful in managing these or any other significant risks that it may encounter in divesting or discontinuing a business or product line.

The Company is subject to risks related to its international operations and sourcing model.

Foreign operations, especially in Europe, but also in Asia, Central and South America and Canada, are important to the Company s business. The Company is expanding from a U.S.-centric business model to one that includes international growth as an increasing focus. In addition, as the Company increasingly sources products in low-cost countries, particularly in the Far East, it is exposed to additional risks and uncertainties. Foreign operations can be affected by factors such as currency devaluation, other currency fluctuations, tariffs, nationalization, exchange controls, interest rates, limitations on foreign investment in local business and other political, economic and regulatory risks and difficulties. The Company also faces risks due to the transportation and logistical complexities inherent in increased reliance on foreign sourcing.

The inability to obtain raw materials and finished goods in a timely manner from suppliers would adversely affect the Company s ability to manufacture and market its products.

The Company purchases raw materials to be used in manufacturing its products. In addition, the Company is placing increasing reliance on third party manufacturers as a source for finished goods. The Company typically does not enter into long-term contracts with its suppliers or sourcing partners. Instead, most raw materials and sourced goods are obtained on a purchase order basis. In addition, in some instances the Company maintains single-source or limited-source sourcing relationships, either because multiple sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity or price considerations. Financial, operating or other difficulties encountered by the Company s suppliers and/or sourcing partners or changes in the Company s relationships with them could result in manufacturing or sourcing interruptions, delays and inefficiencies and prevent the Company from manufacturing or obtaining the finished goods necessary to meet customer demand.

Complications in connection with the Company s current information system initiative may adversely impact its results of operations, financial condition and cash flows.

The Company is in the process of replacing various business information systems worldwide with an enterprise resource planning system from SAP. To date, the Company has successfully gone live with the SAP implementation at its North American Office Products business units and its North American Home & Family business units. These go-lives are the first two major milestones in a multi-year implementation that will occur in several phases, primarily based on geographic region and segment. This activity involves the migration of multiple legacy systems and users to a common SAP information platform. Throughout this process, the Company is changing the way it conducts business and employees roles in processing and utilizing information. In addition, this conversion will impact certain interfaces with the Company s customers and suppliers, resulting in changes to the tools the Company uses to take orders, procure materials, schedule production, remit billings, make payments and perform other business functions. Based upon the complexity of this initiative, there is risk that the Company will be unable to complete the implementation in accordance with its timeline and will incur additional costs. The implementation could result in operating inefficiencies, and the implementation could impact the Company s ability to perform necessary business transactions. All of these risks could adversely impact the Company s results of operations, financial condition and cash flows.

Impairment charges could have a material adverse effect on the Company s financial results.

Future events may occur that would adversely affect the reported value of the Company s assets and require impairment charges. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on the Company s customer base, the unfavorable resolution of litigation, including patent infringement litigation involving PSI Systems, Inc., a material adverse change in the Company s relationship with significant customers or business partners, or a sustained decline in the Company s stock price. Given the macroeconomic environment and its adverse impact on certain business units of the Company in the fourth quarter of 2008, the Company evaluated its goodwill for impairment during the fourth quarter of 2008. As a result of the evaluation, the Company recorded non-cash impairment charges of $299.4 million, principally related to goodwill.

The Company continues to evaluate the impact of economic and other developments on the Company and its business units to assess whether impairment indicators are present. Subsequent to December 31, 2008, the Company s total market capitalization periodically declined below the Company s December 31, 2008 consolidated stockholders equity balance. If the Company s total market capitalization is below reported consolidated stockholders equity at a future reporting date or for a sustained period, the Company considers this an indicator of potential impairment of goodwill. The Company utilizes market capitalization in corroborating its assessment of the fair value of its reporting units. As a result, the Company may be required to perform additional impairment tests based on changes in the economic environment and other factors, and these tests could result in additional impairment charges in the future.

The resolution of the Company s tax contingencies may result in additional tax liabilities, which could adversely impact the Company s cash flows and results of operations.

The Company is subject to income tax in the U.S. and numerous jurisdictions outside the U.S. Significant estimation and judgment is required in determining the Company s worldwide provision for income taxes. In the ordinary course of the Company s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. Although the Company believes its tax estimates are reasonable, the final outcome of tax audits and related litigation could be materially different than that reflected in its historical income tax provisions and accruals. There can be no assurance that the resolution of any audits or litigation will not have an adverse effect on future operating results.

Product liability claims or regulatory actions could adversely affect the Company s financial results or harm its reputation or the value of its end-user brands.

Claims for losses or injuries purportedly caused by some of the Company s products arise in the ordinary course of the Company s business. In addition to the risk of substantial monetary judgments, product liability claims or regulatory actions could result in negative publicity that could harm the Company s reputation in the marketplace, adversely impact the value of its end-user brands, or result in an increase in the cost of producing the Company s products. The Company could also be required to recall possibly defective products, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims are subject to a self-insured retention or could be excluded under the terms of the policy.

The level of returns on pension and postretirement plan assets and the actuarial assumptions used for valuation purposes could affect the Company s earnings and cash flows in future periods. Changes in government regulations could also affect the Company s pension and postretirement plan expenses and funding requirements.

The funding obligations for the Company s pension plans are impacted by the performance of the financial markets, particularly the equity markets, and interest rates. Funding obligations are determined under government regulations and are measured each year based on the value of assets and liabilities on a specific date. If the financial markets do not provide the long-term returns that are expected under the governmental funding calculations, the Company could be required to make larger contributions. The equity markets can be, and recently have been, very volatile, and therefore the Company s estimate of future contribution requirements can change dramatically in relatively short periods of time. Similarly, changes in interest rates and legislation enacted by governmental authorities can impact the timing and amounts of contribution requirements. An adverse change in the funded status of the plans could significantly increase the Company s required contributions in the future and adversely impact its liquidity.

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Assumptions used in determining projected benefit obligations and the fair value of plan assets for the Company s pension and other postretirement benefit plans are evaluated by the Company in consultation with outside actuaries. In the event that the Company determines that changes are warranted in the assumptions used, such as the discount rate, expected long term rate of return on assets, or health care costs, the Company s future pension and postretirement benefit expenses could increase or decrease. Due to changing market conditions or changes in the participant population, the assumptions that the Company uses may differ from actual results, which could have a significant impact on the Company s pension and postretirement liabilities and related costs and funding requirements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following table shows the location and general character of the principal operating facilities owned or leased by the Company. The properties are listed within their designated business segment: Cleaning, Organization & Décor; Office Products; Tools & Hardware; and Home & Family. These are the primary manufacturing locations, administrative offices and distribution warehouses of the Company. In 2008, the Company moved its headquarters to a new 350,000 square foot, 14-story headquarters building in Atlanta, Georgia. The Company also maintains sales offices throughout the U.S. and the world. Most of the Company s idle facilities, which are excluded from the following list, are subleased, pending lease expiration, or are for sale. The Company s properties are generally in good condition, well maintained, and are suitable and adequate to carry on the Company s business.

BUSINESS SEGMENT	LOCATION	CITY	OWNED OR LEASED	GENERAL CHARACTER
CLEANING, ORGANIZATION & DÉCOR				
	TN	Cleveland	O	Commercial Products
	VA	Winchester	O	Commercial Products
	WV	Martinsburg	L	Commercial Products
	PA	Pottsville	L	Commercial Products
	IL	Mundelein	O	Commercial Products
	Brazil	Rio Grande Do Sul	L	Commercial Products
	Brazil	Cachoeirinha	O	Commercial Products
	Netherlands	Bentfield	O	Commercial Products
	OH	Mogadore	O	Home Products
	KS	Winfield	L/O	Home Products
	OH	Wooster	L	Home Products
	Canada	Mississauga	O	Home Products
	Canada	Calgary	L	Home Products
	TX	Greenville	L/O	Home Products
	MO	Jackson	O	Home Storage Systems
	Mexico	Agua Prieta	L	Window Treatments
	NC	High Point	L	Window Treatments
	UT	Ogden	L	Window Treatments
	UT	Salt Lake City	L	Window Treatments
	IL	Freeport	L	Window Treatments
OFFICE PRODUCTS				
	IL	Oakbrook	L	Writing Instruments
	IL	Bellwood	O	Writing Instruments
	TN	Lewisburg	O	Writing Instruments
	TN	Shelbyville	L/O	Writing Instruments
	TN	Vonore	L	Writing Instruments
	WI	Janesville	L	Writing Instruments
	Canada	Oakville	L	Writing Instruments

Thailand	Bangkok	O	Writing Instruments
India	Tamil Nadu	L	Writing Instruments
China	Shanghai	L	Writing Instruments
Colombia	Bogota	O	Writing Instruments
Germany	Hamburg	O	Writing Instruments

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BUSINESS SEGMENT	LOCATION	CITY	OWNED OR LEASED	GENERAL CHARACTER
	Mexico	Tlalnepantla	L	Writing Instruments
	Mexico	Mexicali	L	Writing Instruments
	UK	Newhaven	O	Writing Instruments
	France	Mallisard	O	Writing Instruments
	Australia	Melbourne	L	Writing Instruments
	France	Nantes	O	Writing Instruments
	TN	Maryville	L/O	Office & Storage Organizers
	Belgium	Sint Niklaas	O	On-Demand Labeling Products
TOOLS & HARDWARE				
	WI	Saint Francis	O	Paint Applicators
	NY	Medina	L/O	Propane/Oxygen Hand Torches
	NC	Winston-Salem	O	Brazing Solder
	IN	Lowell	O	Window Hardware
	MA	East Longmeadow	O	Tools
	China	Shanghai	L	Tools
	China	Shenzhen	L	Tools
	ME	Gorham	O	Tools
	OH	Wilmington	L	Tools
	Australia	Lyndhurst	L	Tools
	New Zealand	Wellsford	O	Tools
	Brazil	Sao Paulo	O	Tools
	Brazil	Carlos Barbosas	O	Tools
	India	Ankleshwar	O	Tools
	Denmark	Asnaes	O	Tools
	Mexico	Monterrey	L	Hardware
HOME & FAMILY				
	OH	Perrysburg	O	Cookware
	OH	Toledo	L	Cookware
	OH	Bedford Heights	L	Infant Products
	OH	Macedonia	O	Infant Products
	PA	Exton	L	Infant Products
	Japan	Nara	O	Infant Products
	Mexico	Piedras Negras	L	Infant Products
	Germany	Hiddenhausen	O	Infant Products
	Poland	Wloclawek	L	Infant Products
CORPORATE				
	GA	Atlanta	L	Office
	France	Paris	L	Office
	China	Hong Kong	L	Office
SHARED FACILITIES				
	CA	Hesperia	L	Shared Services
	CA	Victorville	L	Shared Services
	GA	Union City	L	Shared Services
	IL	Freeport	L/O	Shared Services
	NC	Huntersville	L	Shared Services
	UK	Lichfield	L	Shared Services
	Netherlands	Goirle	O	Shared Services

ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Footnote 19 of the Notes to Consolidated Financial Statements and is incorporated by reference herein.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company s shareholders during the fourth quarter of fiscal year 2008.

SUPPLEMENTARY ITEM - EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Present Position with the Company
Mark D. Ketchum	59	President and Chief Executive Officer
William A. Burke	48	President, Tools, Hardware and Commercial Products
Jay Gould	49	President, Home & Family
Hartley D. Blaha	43	President, Corporate Development
J. Patrick Robinson	53	Executive Vice President, Chief Financial Officer
James M. Sweet	56	Executive Vice President, Human Resources & Corporate Communications (Chief Human Resources Officer)
Dale L. Matschullat	63	Senior Vice President, General Counsel and Corporate Secretary
Theodore W. Woehrle	47	Senior Vice President, Marketing and Brand Management
Gordon Steele	57	Senior Vice President, Program Management Office and Chief Information Officer
Magnus R. Nicolin	52	President, Newell Rubbermaid Europe, Middle East and Africa
J. Eduardo Senf	50	President, Latin America
Paul G. Boitmann	47	President, Sales Operations and Global Wal-Mart

Mark D. Ketchum has been President and Chief Executive Officer of the Company since October 2005. Mr. Ketchum joined the Company s Board of Directors in November 2004 and served as a member of the Audit Committee prior to assuming his current role. Prior thereto, he was President of the Global Baby & Family Care business of Procter & Gamble from 1999 through November 2004. From 1971 to 1984, he held a variety of operations positions with Procter & Gamble s paper division. From 1984 to 1999, he transitioned into brand management and general management roles, culminating as President of Global Baby & Family Care.

William A. Burke has been President, Tools, Hardware and Commercial Products since January 2009 and was President, Tools and Hardware from December 2007 to January 2009. Prior thereto, he was President, North American Tools from 2004 through 2006. He served as President of the Company s Lenox division from 2003 through 2004. From 1992 through 2002, he served in a variety of positions with The Black and Decker Corporation (a manufacturer and marketer of power tools and accessories), culminating as Vice President and General Manager of Product Service.

Jay Gould has been President, Home & Family since December 2007. Prior thereto, he served as President of Graco Children s Products (a subsidiary of the Company) from May 2006 through December 2007. From 2003 through 2006, he served as President of Pepperidge Farm, Inc. (a manufacturer of food products), and from 2002 through 2003 he was Chief Marketing Officer of Pepperidge Farm. He held a variety of executive positions with The Coca-Cola Company from 1995 through 2002, including Vice President, Portfolio Development and Innovation from 2000 through 2002.

Hartley D. Blaha has been President, Corporate Development since February 2005. Prior thereto, he was Vice President, Corporate Development from November 2003 to February 2005. Prior thereto, from 1987 to 2003 he held a variety of positions within the Investment Banking Division of Lehman Brothers Inc. (a global investment bank), culminating as Managing Director, Mergers and Acquisitions.

J. Patrick Robinson has been Executive Vice President, Chief Financial Officer since May 2007. Prior thereto, he served as Vice President, Chief Financial Officer from November 2004 through May 2007. He was Vice President, Corporate Controller and Chief Financial Officer from June 2003 until October 2004 and Vice President, Controller and Chief Accounting Officer from May 2001 until May 2003. From March 2000 until May 2001, he was Chief Financial Officer of AirClic Inc. (a web-based software and services platform company for the mobile information market). From 1983 until March 2000, he held a variety of financial positions with The Black and Decker Corporation, culminating as Vice President of Finance, Worldwide Power Tools.

James M. Sweet has been Executive Vice President, Human Resources and Corporate Communications since May 2007. Prior thereto, he served as the Company s Chief Human Resources Officer from May 2004 through May 2007. He was Group Vice President, Human Resources for the Sharpie/Calphalon Group from January 2004 to April 2004. From 2001 to 2004, he was President of Capital H, Inc., a human resource services company that Mr. Sweet co-founded. From 1999 to 2001, he was Vice

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President of Human Resources for the Industrial Automation Systems and Rexnord divisions of Invensys PLC (an industrial manufacturing company). Prior thereto, he held executive human resource positions at Kohler Co., Keystone International and Brady Corp.

Dale L. Matschullat has been Senior Vice President, General Counsel since August 2007, having served as Vice President, General Counsel from January 2001 to August 2007. He has served as Corporate Secretary since August 2003. He was Vice President-Finance, Chief Financial Officer and General Counsel from January 2000 until January 2001. From 1989 until January 2000, he was Vice President, General Counsel.

Theodore W. Woehrle has been Senior Vice President, Marketing and Brand Management of the Company since June 2007. Prior thereto, he held a variety of executive positions with Procter & Gamble from 1983 to 2007, culminating as Vice President Marketing, North America.

Gordon Steele has been Senior Vice President, Program Management Office and Chief Information Officer since August 2007. Prior thereto, he served as Vice President, Chief Information Officer from August 2005 through August 2007. From 2001 until 2005, he served as Vice President and Chief Information Officer for Global Information Technology at Nike, Inc. (a global marketer of athletic apparel and equipment). Prior to becoming the Chief Information Officer at Nike, he spent four years as the Senior Director responsible for the Nike Supply Chain project, which involved the complete replacement of all business application systems and included the global rollout of SAP Enterprise Resource Planning, i2 planning and the Siebel Customer Relationship Management system to all of Nike s operating entities. From 1989 to 1997 he served as Chief Information Officer, and in other leadership capacities with Mentor Graphics Corporation (a provider of electronic software and hardware products and consulting services).

Magnus R. Nicolin has been President, Newell Rubbermaid Europe, Middle East and Africa, since January 2007. Prior thereto, he was a consultant for the Sanford Brands Fine Writing business from May 2006 through August 2006 and served as President, Sanford Brands Europe from September 2006 to December 2006. In 2002, he led in conjunction with J. W. Childs (a private equity firm) the leveraged buyout of Esselte Corporation (a designer, manufacturer and distributor of office products) from the London and Stockholm stock exchanges, taking the company private, then serving as President and Chief Executive Officer. Prior to 2002, he served in leadership positions with Pitney Bowes (a provider of mailstream software, hardware, services and solutions), Bayer Diagnostics (a provider of medical diagnostic equipment) and McKinsey & Co (a global strategic management consulting firm).

J. Eduardo Senf has been President, Latin America since January 2008. Prior thereto, he served as President, Latin America for the Company s Rubbermaid/Irwin Group from November 2004 through December 2007. Prior thereto, he was President, South America for Mars Incorporated (a food products company) from 1996 through 2003.

Paul G. Boitmann has been President, Sales Operations and Global Wal-Mart since February 2007. Mr. Boitmann joined the Company in 2001 as President of its Home Depot Division, bringing more than 18 years of sales, marketing, worldwide recruiting and sales training experience to the Company. He served in that role until January 2005, when he began serving as President, Rubbermaid/Irwin North America Sales Operations, a position he held until he assumed his current role.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s common stock is listed on the New York and Chicago Stock Exchanges (symbol: NWL). As of January 31, 2009, there were 16,178 stockholders of record. The following table sets forth the high and low sales prices of the common stock on the New York Stock Exchange Composite Tape for the calendar periods indicated:

	2008		**2007**	
Quarters	**High**	**Low**	**High**	**Low**
First	$ 25.94	$ 21.24	$ 32.00	$ 28.66
Second	24.08	16.68	32.19	28.80
Third	21.38	14.89	29.88	24.22
Fourth	17.59	9.13	29.50	24.69

The Company has paid regular cash dividends on its common stock since 1947. The Company paid a quarterly cash dividend of $0.21 per share from February 1, 2000 through December 15, 2008. On January 29, 2009, the Company announced a 50 percent reduction in its quarterly dividend to $0.105 per share. The Company currently expects to maintain this dividend rate throughout 2009; however, the payment of dividends to holders of the Company s common stock remains at the discretion of the Board of Directors and will depend upon many factors, including the Company s financial condition, earnings, legal requirements and other factors the Board of Directors deems relevant.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information about the Company s purchases of equity securities during the quarter ended December 31, 2008.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number / Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/08-10/31/08	2,202	$10.97		
11/1/08-11/30/08	1,643	$11.83		
12/1/08-12/31/08	3,845	$11.34		
Total				

(1) None of these transactions were made pursuant to a publicly announced repurchase plan. All shares purchased for the quarter were acquired by the Company to satisfy employees tax withholding and payment obligations in connection with the vesting of awards of restricted stock, which are repurchased by the Company based on their fair market value on the vesting date.

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ITEM 6. SELECTED FINANCIAL DATA

The following is a summary of certain consolidated financial information relating to the Company as of and for the year ended December 31, *(in millions, except per share data)*. The summary has been derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company included elsewhere in this report and the schedules thereto.

	2008(1)	2007(1)	2006(1)	2005	2004
STATEMENTS OF OPERATIONS DATA					
Net sales	$ 6,470.6	$ 6,407.3	$ 6,201.0	$ 5,717.2	$ 5,707.1
Cost of products sold	4,347.4	4,150.1	4,131.0	3,959.1	4,050.6
Gross margin	2,123.2	2,257.2	2,070.0	1,758.1	1,656.5
Selling, general and administrative expenses	1,502.7	1,430.9	1,347.0	1,117.7	1,050.1
Impairment charges	299.4			0.4	264.0
Restructuring costs (2)	120.3	86.0	66.4	72.6	28.2
Operating income	200.8	740.3	656.6	567.4	314.2
Nonoperating expenses:					
Interest expense, net	137.9	104.1	132.0	127.1	119.3
Other expense (income), net	61.1	7.3	9.7	(23.1)	(3.0)
Net nonoperating expenses	199.0	111.4	141.7	104.0	116.3
Income from continuing operations before income taxes	1.8	628.9	514.9	463.4	197.9
Income taxes	53.6	149.7	44.2	57.1	92.9
(Loss) income from continuing operations	(51.8)	479.2	470.7	406.3	105.0
Loss from discontinued operations, net of tax	(0.5)	(12.1)	(85.7)	(155.0)	(221.1)
Net (loss) income	$ (52.3)	$ 467.1	$ 385.0	$ 251.3	$ (116.1)
Weighted average shares outstanding:					
Basic	277.0	276.0	274.6	274.4	274.4
Diluted	277.0	286.1	275.5	274.9	274.7
Per common share:					
Basic:					
(Loss) income from continuing operations	$ (0.19)	$ 1.74	$ 1.71	$ 1.48	$ 0.38
Loss from discontinued operations		(0.04)	(0.31)	(0.56)	(0.81)
Net (loss) income	$ (0.19)	$ 1.69	$ 1.40	$ 0.92	$ (0.42)
Diluted:					
(Loss) income from continuing operations	$ (0.19)	$ 1.72	$ 1.71	$ 1.48	$ 0.38
Loss from discontinued operations		(0.04)	(0.31)	(0.56)	(0.80)
Net (loss) income	$ (0.19)	$ 1.68	$ 1.40	$ 0.91	$ (0.42)
Dividends	$ 0.84	$ 0.84	$ 0.84	$ 0.84	$ 0.84
BALANCE SHEET DATA					
Inventories, net	$ 912.1	$ 940.4	$ 850.6	$ 793.8	$ 813.2
Working capital (3)	187.9	87.9	580.3	675.3	1,141.1
Total assets	6,792.5	6,682.9	6,310.5	6,446.1	6,669.5
Short-term debt, including current portion of long-term debt	761.0	987.5	277.5	166.8	206.9
Long-term debt, net of current portion	2,118.3	1,197.4	1,972.3	2,429.7	2,424.3
Stockholders equity	$ 1,614.2	$ 2,247.3	$ 1,890.2	$ 1,643.2	$ 1,764.2

(1) Supplemental data regarding 2008, 2007 and 2006 is provided in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

(2) The restructuring costs include facility and other exit costs, employee severance and termination benefits, employee relocation costs, and costs associated with exited contractual commitments and other restructuring costs.

(3) Working capital is defined as Current Assets less Current Liabilities.

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Acquisitions of Businesses

2008, 2007 and 2006

Information regarding significant businesses acquired in the last three years is included in Footnote 2 of the Notes to Consolidated Financial Statements.

2005 and 2004

On November 23, 2005, the Company acquired Dymo, a global leader in designing, manufacturing and marketing on-demand labeling solutions, from Esselte AB for $699.2 million. The transaction was accounted for using the purchase method of accounting and was finalized in 2006, after consideration of certain working capital and other adjustments. The Company funded the acquisition with available cash and borrowings from pre-existing credit facilities. The acquisition of Dymo strengthened the Company s position in the Office Products segment by expanding and enhancing the Company s product lines and customer base. No significant acquisitions occurred during 2004.

Quarterly Summaries

Summarized quarterly data for the last two years is as follows *(in millions, except per share data)* (unaudited):

Calendar Year	1st	2nd	3rd	4th	Year
2008					
Net sales	$ 1,433.7	$ 1,825.1	$ 1,760.3	$ 1,451.5	$ 6,470.6
Gross margin	490.5	623.2	574.7	434.8	2,123.2
Income (loss) from continuing operations	57.4	92.5	55.0	(256.7)	(51.8)
Loss from discontinued operations	(0.5)				(0.5)
Net income (loss)	$ 56.9	$ 92.5	$ 55.0	$ (256.7)	$ (52.3)
Earnings (loss) per share:					
Basic:					
Income (loss) from continuing operations	$ 0.21	$ 0.33	$ 0.20	$ (0.93)	$ (0.19)
Loss from discontinued operations					
Net income (loss)	$ 0.21	$ 0.33	$ 0.20	$ (0.93)	$ (0.19)
Diluted:					
Income (loss) from continuing operations	$ 0.21	$ 0.33	$ 0.20	$ (0.93)	$ (0.19)
Loss from discontinued operations					
Net income (loss)	$ 0.20	$ 0.33	$ 0.20	$ (0.93)	$ (0.19)
2007					
Net sales	$ 1,384.4	$ 1,693.1	$ 1,687.3	$ 1,642.5	$ 6,407.3
Gross margin	474.7	605.6	601.0	575.9	2,257.2
Income from continuing operations	65.1	143.2	169.9	101.0	479.2
(Loss) income from discontinued operations	(15.8)	(1.0)	0.3	4.4	(12.1)
Net income	$ 49.3	$ 142.2	$ 170.2	$ 105.4	$ 467.1
Earnings (loss) per share:					
Basic:					
Income from continuing operations	$ 0.24	$ 0.52	$ 0.62	$ 0.37	$ 1.74
(Loss) income from discontinued operations	(0.06)			0.02	(0.04)
Net income	$ 0.18	$ 0.52	$ 0.62	$ 0.38	$ 1.69
Diluted:					
Income from continuing operations	$ 0.23	$ 0.51	$ 0.61	$ 0.36	$ 1.72

(Loss) income from discontinued operations	(0.05)			0.02	(0.04)
Net income	$ 0.18	$ 0.51	$ 0.61	$ 0.38	$ 1.68

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company s consolidated results of operations and financial condition. The discussion should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto.

Business Overview

Newell Rubbermaid is a global marketer of consumer and commercial products that touch the lives of people where they work, live and play. With annual sales of over $6 billion, the Company s products are marketed under a strong portfolio of brands, including Sharpie®, Paper Mate®, Dymo®, Expo®, Waterman®, Parker®, Rolodex®, Irwin®, Lenox®, BernzOmatic®, Rubbermaid®, TC®, Levolor®, Graco®, Aprica®, Calphalon® and Goody®. The Company s multi-product offering consists of well-known name-brand consumer and commercial products in four business segments during 2008: Cleaning, Organization & Décor; Office Products; Tools & Hardware; and Home & Family.

Business Strategy

Newell Rubbermaid s vision is to become a global company of Brands That Matter and great people, known for best-in-class results. The Company is committed to building consumer-meaningful brands through understanding the needs of consumers and using those insights to create innovative, highly differentiated product solutions that offer performance and value. To support its multi-year transformation into a best-in-class global consumer branding and marketing organization, the Company has adopted a strategy that focuses on optimizing the business portfolio, building consumer-meaningful brands on a global scale, and achieving best cost and efficiency in its operations.

- Optimizing the business portfolio includes reducing the Company s exposure to non-strategic businesses and product lines and acquiring businesses that facilitate geographic and category expansion, thus enhancing the potential for growth and improved profitability of the overall portfolio.

- Building consumer-meaningful brands involves embracing a consumer-driven innovation process, developing best-in-class marketing and branding capabilities across the organization and investing in strategic brand building activities, including investments in research and development to better understand target consumers and their needs.

- Achieving best cost involves the Company s adoption of best-in-class practices, such as leveraging scale, restructuring the supply chain to improve capacity utilization and to deliver productivity savings, reducing costs in non-market facing activities, designing products to optimize input costs, and utilizing strategic sourcing partners when it is cost effective. Achieving best cost allows the Company to improve its competitive position, generate funds for increased investment in strategic brand building initiatives, and preserve cash and liquidity in the midst of volatile commodity and currency markets and the current global economic slowdown.

Market Overview

The Company operates in the consumer and commercial products markets, which are generally impacted by overall economic conditions in the regions in which the Company operates. During 2008, the Company s results were impacted by the deterioration in worldwide economic conditions, significant inflation, a volatile currency environment, instability in the credit markets, and disruption of global equity markets. These factors, combined with rising unemployment levels and the contraction of consumer credit markets, adversely impacted consumer confidence leading to reductions in consumer spending. The Company s results were impacted as follows:

- The inflationary commodity environment and volatile currency environment led to significant year-over-year inflation in raw materials, including resin, and sourced finished goods. The primary drivers for the increases were record-high energy prices, including the price of oil and natural gas, and currency volatility on sourced products. The record-high energy prices contributed to increases in transportation costs and the cost of resin, since oil and natural gas are key inputs in the production and cost of certain types of resin. For 2008, inflation adversely impacted year-over-year gross margins by approximately $200.0 million.

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- As consumer confidence waned, the Company experienced pressure on its sales, particularly in the fourth quarter of 2008, across all businesses and geographies since consumer spending declined and retailers responded by tightly managing inventory levels.

- Declines in residential and commercial construction markets contributed to sales declines in the Tools & Hardware segment and the Décor business. An estimated 0.9 million housing units were started in 2008 compared to 1.4 million housing units started in 2007, and existing home sales declined from 5.7 million units in 2007 to 4.9 million units in 2008.

In response to these market conditions, the Company took the following actions:

- Expanded Project Acceleration, the Company s restructuring initiative, to include the divestiture, rationalization, or exit of selected low margin, commodity-like, and resin-intensive product categories, to create a more focused and more profitable platform for growth by reducing the Company s exposure to volatile commodity markets and raw material inflation.

- Implemented pricing initiatives to offset inflationary pressures experienced across multiple product lines in 2008, particularly those where resin is the primary cost of products, including quarterly price adjustment mechanisms to adjust prices to reflect actual changes in raw material, processing and transportation costs. These price increases offset a portion of the input cost inflation experienced in 2008.

- Managed working capital to maximize cash flow, with a particular focus on lowering receivables days sales outstanding and inventory levels, including accelerating SKU rationalization efforts.

- Continued to optimize the cost structure of the business by reducing and streamlining structural costs, which included initiating salaried work force reductions, freezing wages and salaries, reducing the number of global business units from 16 to 13, and consolidating the segment structure from four to three segments for 2009. This allowed the Company to continue to invest in brand building and product development, gaining valuable consumer insight, delivering innovative new products, expanding the Company s leading brands into near neighbor product categories and new geographic regions, and acquiring businesses with consumer-meaningful brands with differentiated products in global categories, including Aprica and Technical Concepts.

- Reduced the dividend payable on its common stock from $0.84 per year to $0.42 per year to align the dividend yield and payout ratio more closely with the Company s industry peers. The new dividend policy better positions the Company to protect its investment grade credit rating and maintain continuing access to credit markets by allowing the Company to retain approximately $120.0 million of cash flows annually.

As of December 31, 2008, the Company had $761.0 million of debt obligations payable within one year, substantially all of which matures in September 2009 and December 2009. The Company plans to address these obligations through the capital markets or other arrangements; however, access to the capital markets or successful negotiation of other arrangements cannot be assured.

Ongoing Initiatives

Through the Project Acceleration restructuring program and other initiatives, the Company has made significant progress in improving capacity utilization rates to deliver productivity savings and increasing the use of strategic sourcing partners. In order to achieve logistical excellence and optimize its geographic footprint, the Company continues to evaluate its supply chain to identify opportunities to realize efficiencies in purchasing, distribution and transportation. The Company expects to incur between $100 and $150 million ($80 and $120 million after-tax) of Project Acceleration restructuring costs in 2009.

The Company strives to leverage the common business activities and best practices of its business units, and to build one common culture of shared values with a focus on collaboration and teamwork. Through this initiative, the Company has established regional shared services centers to leverage non-market facing functional capabilities to reduce costs. The Company has also begun migrating multiple legacy systems and users to a common SAP global information platform in a phased, multi-year rollout. SAP is expected to enable the Company to integrate and manage its worldwide business and reporting processes more efficiently. To date, the North American operations of its Home & Family and Office Products segments have successfully gone live with their SAP implementation efforts.

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CONSOLIDATED RESULTS OF OPERATIONS

The Company believes the selected data and the percentage relationship between net sales and major categories in the Consolidated Statements of Operations are important in evaluating the Company s operations. The following table sets forth items from the Consolidated Statements of Operations as reported and as a percentage of net sales for the year ended December 31, (*in millions, except percentages*):

	2008		2007		2006	
Net sales	$ 6,470.6	100.0%	$ 6,407.3	100.0%	$ 6,201.0	100.0%
Cost of products sold	4,347.4	67.2	4,150.1	64.8	4,131.0	66.6
Gross margin	2,123.2	32.8	2,257.2	35.2	2,070.0	33.4
Selling, general and administrative expenses	1,502.7	23.2	1,430.9	22.3	1,347.0	21.7
Impairment charges	299.4	4.6				
Restructuring costs	120.3	1.9	86.0	1.3	66.4	1.1
Operating income	200.8	3.1	740.3	11.6	656.6	10.6
Nonoperating expenses:						
Interest expense, net	137.9	2.1	104.1	1.6	132.0	2.1
Other expense, net	61.1	1.0	7.3	0.1	9.7	0.2
Net nonoperating expenses	199.0	3.1	111.4	1.7	141.7	2.3
Income from continuing operations before income taxes	1.8		628.9	9.8	514.9	8.3
Income taxes	53.6	0.8	149.7	2.3	44.2	0.7
(Loss) income from continuing operations	(51.8)	(0.8)	479.2	7.5	470.7	7.6
Loss from discontinued operations, net of tax	(0.5)		(12.1)	(0.2)	(85.7)	(1.4)
Net (loss) income	$ (52.3)	(0.8)%	$ 467.1	7.3%	$ 385.0	6.2%

Results of Operations 2008 vs. 2007

Net sales for 2008 were $6,470.6 million, representing an increase of $63.3 million, or 1%, from $6,407.3 million for 2007. The Technical Concepts and Aprica acquisitions increased sales by $204.7 million, or 3.2%, over the prior year, and foreign currency contributed 0.8% of sales growth. Excluding the impacts of acquisitions, mid single-digit sales growth in the Home & Family segment was more than offset by a high single-digit decline in the Tools & Hardware segment and low single-digit declines in the Cleaning, Organization & Décor and Office Products segments.

Gross margin, as a percentage of net sales, for 2008 was 32.8%, or $2,123.2 million, versus 35.2%, or $2,257.2 million, for 2007. Positive pricing and savings from Project Acceleration of approximately $40.0 million were more than offset by the impact of raw material and sourced goods inflation as well as lower manufacturing volumes and unfavorable product mix experienced during the fourth quarter of 2008.

SG&A expenses for 2008 were 23.2% of net sales, or $1,502.7 million, versus 22.3% of net sales, or $1,430.9 million, for 2007. The $71.8 million increase was primarily driven by SG&A expenses associated with the Technical Concepts and Aprica acquisitions and the impact of foreign currency, which more than offset the impacts of the Company s management of structural and strategic SG&A spending.

The Company recorded restructuring costs of $120.3 million and $86.0 million for 2008 and 2007, respectively. The increase in restructuring costs for 2008 compared to the prior year is primarily attributable to $36.0 million of asset impairment charges recorded in 2008 associated with the Company s plan to divest, downsize or exit certain product categories where resin is the primary component of cost of products sold. The 2008 restructuring costs included $46.1 million of facility and other exit costs, including the $36.0 million of asset impairment charges noted above, $57.5 million of employee severance, termination benefits and employee relocation costs, and $16.7 million of exited contractual commitments and other restructuring costs, of which $3.1 million relates to the Company s 2001 Restructuring Plan. The 2007 restructuring costs included $27.7 million of facility and other exit costs, $36.4 million of employee severance and termination benefits and $21.9 million of exited contractual commitments and other restructuring costs. See Footnote 4 of the Notes to Consolidated Financial Statements for further information.

Project Acceleration is designed to reduce manufacturing overhead, better align the Company s distribution and transportation processes, and reorganize the overall business structure to align with the Company s core organizing concept, the global business unit, to achieve best total cost. Project Acceleration is expected to be fully implemented in 2010 and is expected to result in cumulative restructuring costs over the life of the initiative totaling between $475 and $500 million ($405 and $425 million after-tax), including $250 to $270 million of employee-related costs, $155 to $175 million in non-cash asset-related costs, and $50 to $70 million in other associated restructuring costs. Approximately 67% of the Project Acceleration restructuring costs are expected to be cash charges.

The adverse impact of the macroeconomic environment on the Company during the fourth quarter of 2008, particularly the decrease in consumer demand, combined with the updated outlook for certain business units led the Company to evaluate the carrying value of goodwill as of December 31, 2008. As a result of this evaluation, the Company recorded a non-cash impairment charge of $299.4

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million during the fourth quarter of 2008 principally related to goodwill of certain business units in the Tools & Hardware and Office Products segments. No similar impairment charges were recorded in 2007 or 2006. The Company may be required to perform additional impairment tests based on changes in the economic environment and other factors which could result in additional impairment charges in the future.

Operating income for 2008 was $200.8 million, or 3.1% of net sales, versus $740.3 million, or 11.6% of net sales, in 2007. The $539.5 million decline in operating income is primarily attributable to the $299.4 million of impairment charges noted above, the impact of raw material and sourced goods inflation on gross margin and the $36.0 million of Project Acceleration asset impairment charges in 2008 discussed above, partially offset by gross margin improvements from productivity initiatives and favorable pricing during 2008.

Interest expense, net, for 2008 was $137.9 million versus $104.1 million for 2007. The $33.8 million year-over-year increase was primarily driven by additional borrowings in 2008 used to fund the acquisitions of Aprica and Technical Concepts.

Other expense, net, for 2008 was $61.1 million versus $7.3 million for 2007. The increase in other expense, net, in 2008 is primarily attributable to the $52.2 million loss on debt extinguishment relating to the Company s redemption of its $250.0 million of Reset notes in July 2008.

The Company recognized income tax expense of $53.6 million for 2008, compared to $149.7 million for 2007. The decrease in tax expense was primarily a result of a decrease in income from continuing operations before income taxes in 2008 compared to 2007. The impact of the decrease in operating income from 2007 to 2008 on income tax expense was partially offset by a decrease in the tax rates applied to the various discrete expenses, including restructuring and impairment charges, in 2008 compared to 2007, which had the effect of increasing income tax expense in 2008 compared to 2007. Income tax expense for 2008 and 2007 was favorably impacted by the recognition of net income tax benefits of $29.9 million and $41.3 million, respectively, primarily related to favorable outcomes from the IRS s review of specific deductions and accrual reversals for items for which the statute of limitations expired. See Footnote 15 of the Notes to Consolidated Financial Statements for further information.

For 2007, the Company recognized a loss from operations of discontinued operations of $0.2 million, net of tax, related to the results of the remaining operations of the Home Décor Europe business and a loss on disposal of discontinued operations of $11.9 million, net of tax, related primarily to the disposal of the remaining operations of the Home Décor Europe business.

Results of Operations 2007 vs. 2006

Net sales for 2007 were $6,407.3 million, representing an increase of $206.3 million, or 3.3%, from $6,201.0 million for 2006. Foreign currency contributed approximately 2.0% of sales growth. Excluding the effects of foreign currency, sales increased 1.3%. The increase was primarily related to mid single digit sales growth in the Home & Family and Cleaning, Organization & Décor segments, partially offset by a decrease in Office Products sales.

Gross margin, as a percentage of net sales, for 2007 was 35.2%, or $2,257.2 million, versus 33.4%, or $2,070.0 million, for 2006. Ongoing productivity initiatives, favorable mix, and savings from Project Acceleration, which contributed approximately $45 million to gross margin, drove the 185 basis point improvement year over year, with pricing offsetting raw material inflation.

SG&A expenses for 2007 were 22.3% of net sales, or $1,430.9 million, versus 21.7% of net sales, or $1,347.0 million, for 2006. Approximately 38% of the increase is attributable to foreign currency, with the remainder due to investments in brand building, product development and other corporate initiatives, including SAP and Shared Services. These investments were partially offset by $15 million in savings from Project Acceleration and other structural overhead reductions.

The Company recorded restructuring costs of $86.0 million and $66.4 million for 2007 and 2006, respectively. The 2007 restructuring costs included $27.7 million of facility and other exit costs, $36.4 million of employee severance and termination benefits and $21.9 million of exited contractual commitments and other restructuring costs. The 2006 restructuring costs included $14.9 million of facility and other exit costs, $44.7 million of employee severance and termination benefits and $6.8 million of exited contractual commitments and other restructuring costs. See Footnote 4 of the Notes to Consolidated Financial Statements for further information.

Operating income for 2007 was $740.3 million, or 11.6% of net sales, versus $656.6 million, or 10.6% of net sales, in 2006. This increase was driven by sales and gross margin expansion, partially offset by the increased investment in brand building and product development initiatives, expansion of Shared Services and implementation of SAP.

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Net nonoperating expenses for 2007 were 1.7% of net sales, or $111.4 million, versus 2.3% of net sales, or $141.7 million, for 2006. The decrease in net nonoperating expenses was mainly attributable to a decrease in interest expense, reflecting a reduction in average debt outstanding year over year and slightly lower average borrowing rates.

The Company recognized income tax expense of $149.7 million for 2007, compared to $44.2 million for 2006. The increase in tax expense was primarily a result of an increase in income from continuing operations before income taxes in 2007 compared to 2006, partially offset by a decrease in income tax benefits recorded in 2007 compared to 2006. Income tax expense for 2007 and 2006 were favorably impacted by the recognition of net income tax benefits of $41.3 million and $102.8 million, respectively, primarily related to the favorable resolution of certain tax positions, the expiration of the statute of limitations on certain deductions, and the reorganization of certain legal entities in Europe.

The loss from discontinued operations for 2007 was $12.1 million, compared to $85.7 million for 2006. The loss on the disposal of discontinued operations for 2007 was $11.9 million, net of tax, compared to a gain of $0.7 million, net of tax, for 2006. The 2007 loss related primarily to the disposal of the remaining operations of the Home Décor Europe business. The 2006 gain related primarily to the disposal of the Little Tikes business, partially offset by the loss recognized on the disposal of portions of the Home Décor Europe business. The loss from operations of discontinued operations for 2007 was $0.2 million, net of tax, compared to $86.4 million, net of tax, for 2006. The 2006 amount primarily relates to the Little Tikes and Home Décor Europe businesses and includes a $50.9 million impairment charge to write off goodwill of the Home Décor Europe business. See Footnote 3 of the Notes to Consolidated Financial Statements for further information.

Business Segment Operating Results

2008 vs. 2007 Business Segment Operating Results

Net sales by segment were as follows for the year ended December 31, *(in millions, except percentages)*:

	2008	2007	% Change
Cleaning, Organization & Décor	$ 2,147.3	$ 2,096.4	2.4%
Office Products	2,005.8	2,042.3	(1.8)
Tools & Hardware	1,200.3	1,288.7	(6.9)
Home & Family	1,117.2	979.9	14.0
Total Net Sales	$ 6,470.6	$ 6,407.3	1.0%

Operating income by segment was as follows for the year ended December 31, *(in millions, except percentages)*:

	2008	2007	% Change
Cleaning, Organization & Décor	$ 238.6	$ 273.3	(12.7)%
Office Products	215.8	317.9	(32.1)
Tools & Hardware	145.3		